

Years ending September 30th, 1860.

It will be seen from the state of the accounts between the Literary Fund and the Public Fund that the former was indebted to the latter at the close of the last fiscal year in the sum of \$22,136 $\frac{57}{100}$. This is unusual, and arises mainly from the temporary falling off of the dividends of some of the Bank Stock belonging to the Literary Fund. This diminution of these dividends has occurred as follows: The Bank of the State of North-Carolina had 5027 shares of stock held in the name of this Fund, and the last Legislature, in the act chartering the Bank of North-Carolina, authorized and directed the Public Treasurer to subscribe this stock to that Bank in the name of the Literary Fund; hence during the period while the old Bank, whose charter was about expiring, was winding up its business, and the new Bank was getting under way, unusually small profits were realized and paid into the Treasury upon this stock.

In the mean time it was not deemed advisable by the Literary Board to diminish the regular semi-annual distribution from the Literary Fund to the common schools of the State, and to make the usual distribution it became necessary to draw for a time upon the Public Fund. The act further provided that should it become necessary to pay up this subscription or any part of it before the old Bank was ready to divide out its stock, the Treasurer of the State should borrow such amount as might be found necessary to make the proper payment.

To carry out this last provision it became necessary, in June, 1859, to borrow \$251,350 in specie. For that purpose I went to the City of New York and borrowed that amount for six months at $5\frac{1}{2}$ per cent. interest from the Continental Bank of that City. The subsequent division of the capital stock of the Bank of the State enabled me to pay off this loan at the proper time. The large receipts and disbursements which are exhibited of this fund are owing to the fact that it was deemed best that this stock should be passed through the books of this office in its transfer from the old